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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548



B-131418

January 21, 1971

Dear Mr. Chairman:

As requested in your letter of August 3, 1970, the General Accounting Office has reviewed the procurement of late-model, light passenger automobiles used by the Department of Defense and the military services, and has examined the maintenance and repair records for a number of these vehicles. The purpose of the review was to determine whether the Government's statutory dollar ceiling on the prices of these vehicles, currently \$1,650 for a sedan and \$1,950 for a station wagon, is too low and is resulting in the purchase of vehicles which are not suitable for the tasks required of them and require inordinately high maintenance and repair costs to keep them in operating condition.

Our findings indicated that acceptable vehicles could be obtained within the statutory ceiling and that the statutory ceiling is not resulting in the purchase of vehicles which are incurring excessive maintenance and repair costs. Our review of maintenance and repair records showed a specific maintenance problem existed regarding the clutches used in many of the vehicles, but we found that overall repair and maintenance costs were not excessive in relation to available statistics on automobile maintenance costs.

We also found that the statutory ceiling has made it very difficult for the Department of Defense to obtain the type of automobiles most desired by the military services, that is, full-size automobiles with 8-cylinder engines and automatic transmissions. The majority of the vehicles purchased in fiscal years 1969 and 1970 were full-size automobiles, but they generally were equipped with 6-cylinder engines and standard transmissions. Automobiles so equipped are not only low in the military services' order of preference but also there is little demand for them by the general public. Thus the automobiles purchased were virtually military models.

Furthermore, the statutory ceiling has discouraged competitive bidding by the major automobile manufacturers. In fiscal year 1969, nearly all the light passenger automobiles purchased for the Department of Defense were provided by American Motors Corporation, which was virtually the only interested bidder. In fiscal year 1970, bids were received on only one-third of the defense requirement. The remaining two-thirds had to be obtained by negotiation.

The most frequently expressed complaints about these automobiles were that the 6-cylinder engines were not powerful enough and the automobiles with standard transmissions required frequent clutch replacements.

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These complaints may be reduced under Public Law 91-423, which was enacted on September 26, 1970, during our review. This law amends 31 U.S.C. 638a(c) by authorizing the Administrator of General Services--who purchases automobiles for the Department of Defense--to determine "the systems and equipment which *** are customarily incorporated into a standard passenger motor vehicle completely equipped for ordinary operation." Such systems and equipment are included within the statutory maximum price limitation for passenger motor vehicles. The law further authorizes the Administrator to purchase "additional systems or equipment" when he finds it appropriate. Such additional items would not be considered in determining whether the cost is within the price limitation.

Details of our findings are presented below.

STATUTORY CEILING HAS
RESTRICTED COMPETITION

Since July 1968 the General Services Administration has been responsible for procuring sedans and station wagons for the Department of Defense. The procurement of 1969 model sedans and station wagons for the military services was made under a \$1,500 statutory price limitation for a sedan and a \$1,950 limitation for a station wagon. When the procurement for that year was in process, American Motors Corporation requested, and received, a small business set-aside which provided it with the right to furnish approximately 50 percent of the required vehicles. The price of these vehicles was to be identical to the price of the other 50 percent of the requirement that was advertised competitively. However, except for a bid by Chrysler Corporation on 16 compact-model automobiles, American Motors Corporation was the only bidder on the competitive portion of the solicitation; but American Motors Corporation did not submit a bid on the total requirement. The General Services Administration readvertised the portion of the requirement on which no bids were received, and American Motors Corporation again submitted the only bid. Thus, except for the 16 compact sedans provided by Chrysler Corporation, all 1969 light passenger sedans and station wagons purchased for the Department of Defense were furnished by American Motors Corporation. A summary of the sizes of the vehicles purchased from American Motors Corporation and the methods of procurement follows:

<u>Method of procurement</u>	<u>Vehicle size</u>	<u>Total (note a)</u>	<u>Sedans</u>	<u>Station wagons</u>
Advertised	Full-size	2,224	1,577	647
Advertised	Compact-size	54	54	--
Set-aside	Full-size	1,926	1,691	235
Readvertised	Intermediate-size	<u>1,527</u>	<u>1,433</u>	<u>94</u>
		<u>5,731</u>	<u>4,755</u>	<u>976</u>

^aAll vehicles were equipped with 6-cylinder engines and manual transmissions.

All of the services listed full-size vehicles with 8-cylinder engines as their first choice, and all but the Air Force indicated a preference for automatic transmissions. However, because of the statutory limitations, the General Services Administration could obtain only full-size automobiles with 6-cylinder engines and manual transmissions for the advertised and set-aside portions of the procurement and intermediate-size vehicles with 6-cylinder engines and manual transmissions for the readvertised portion.

The statutory limitation on a sedan was raised to \$1,650 for the 1970 procurement; however, the General Services Administration again was unable to obtain competition on the advertised solicitation and received bids on less than one-third of the requirement. Except for a bid on 30 sedans by General Motors Corporation, the Ford Motor Company was the only bidder, offering its Falcon model which had been changed from a compact to an intermediate-size model in January 1970. The remainder of the Department of Defense's 1970 requirement for sedans and station wagons was obtained through negotiation. A number of minor requirements contained in the specifications for the advertised contracts had to be eliminated in the negotiations so that the automobiles could be purchased within the statutory limitation. The following chart shows the vehicles obtained and their source:

<u>Automobile characteristics</u>	<u>Total</u>	<u>Advertised</u>		<u>Negotiated</u>	
		<u>Ford</u>	<u>General Motors</u>	<u>Ford</u>	<u>American Motors</u>
Full-size, 8-cylinder, automatic	191	166 ^a	--	--	25 ^a
Full-size, 6-cylinder, automatic (--	--	--	(863 ^a
(912					(49
Full-size, 8-cylinder, manual	33	3 ^a	30	--	--
Full-size, 6-cylinder, manual	2,361	--	--	--	2,361
Intermediate, 8-cylinder, automatic	--	--	--	--	--
Intermediate, 6-cylinder, automatic	((1 ^a			
	(3,051	(1,175	--	1,875	--
Intermediate, 6-cylinder, manual	6	6 ^a	--	--	--
Compact, 6-cylinder, manual	6				6
Totals	<u>6,560</u>	<u>1,351</u>	<u>30</u>	<u>1,875</u>	<u>3,304</u>

^aStation wagons

Our analysis of the 1969- and 1970-model procurements indicated that the statutory ceiling had greatly restricted competitive bidding among the automobile manufacturers. We discussed the effects of the statutory ceiling with representatives of the three largest automobile manufacturers (General Motors, Ford, and Chrysler Corporation). The manufacturers' representatives stated that the ceiling would have to be eliminated or raised to obtain competition on future procurements of sedans and station wagons. D398

AUTOMOBILES PURCHASED FOR MILITARY
SERVICES WERE NOT STANDARD
COMMERCIAL VEHICLES

We found that the automobiles equipped with 6-cylinder engines and manual transmissions which were purchased by the Government were not representative of the standard commercial vehicles usually sold by automobile manufacturers to the general public. Statistics which we obtained from the three largest automobile manufacturers named in the preceding paragraph show that their standard commercial models are almost always equipped with both automatic transmissions and V-8 engines. Over 98 percent of the full-size sedans produced in 1970 were equipped with automatic transmissions and 96 percent had 8-cylinder engines. Over 95 percent of the 1970 intermediate-size sedans were equipped with automatic transmissions, and 85 percent had 8-cylinder engines.

Because of the statutory ceiling, virtually all of the sedans and station wagons purchased for the military services in 1969 were equipped with 6-cylinder engines and manual transmissions. Over half of the 1970 sedans had automatic transmissions; however, almost all had 6-cylinder engines. Thus, the vehicles purchased for use by the Department of Defense are somewhat special vehicles and are not typical of the majority of vehicles sold to the general public.

MAINTENANCE AND REPAIR COSTS

We visited motor pools at the Pentagon, Fort Belvoir, the Washington Navy Yard, and Andrews and Bolling Air Force Bases. Discussions with military motor pool personnel indicated that the major repair problem which the military services have encountered involved the clutches on vehicles with manual transmissions. We also received complaints that the 6-cylinder vehicles are underpowered, especially the nine-passenger station wagons.

We verified, through an examination of a sample of maintenance and repair records, that frequent clutch replacements had been made. However, in attempting to determine whether the late-model vehicles had incurred inordinately high maintenance and repair costs, we found that in the Washington area cumulative maintenance and repair data was available only at Andrews and Bolling Air Force Bases. Accordingly, we limited our inquiry on maintenance and repair costs to these two bases.

Having obtained cumulative maintenance and repair costs for 1967, 1968, and 1969 sedans and station wagons from Andrews and Bolling Air Force Bases,¹ we compared these costs against data shown in a 1970 Department of Transportation study entitled "Cost of Operating an Automobile." This study provides, among other things, estimates of the maintenance and repair costs per mile which could be expected for an automobile driven by a reasonably prudent man.

¹Meaningful data on 1970 models was not available.

The following chart shows that the maintenance and repair costs reported for the 1967-, 1968-, and 1969-model vehicles at Andrews and Bolling Air Force Bases were not substantially different from the costs cited in the Department of Transportation study.

<u>Model year</u>	<u>Average cumulative maintenance and repair costs per vehicle at motor pool</u>	<u>Average costs based on Department of Transportation study</u>	<u>Difference</u>
1969	\$110	\$ 91	\$19
1968	313	262	51
1967	707	731	(22)

The costs reported for the 1968 and 1969 vehicles were somewhat greater than the costs indicated by the study, but this may be attributable to the type of usage vehicles generally receive in motor pools.

We noted that clutch replacement problems, which accounted for a large portion of the maintenance and repair costs for motor pool vehicles, were being corrected by the installation of a heavy-duty clutch to prevent recurrences. Replacements of defective clutches were paid for by the manufacturers.

CONCLUSION

Our review did not indicate that the statutory limitation has prevented the Department of Defense from obtaining serviceable automobiles or has resulted in inordinately high maintenance and repair costs. However, it appears that the statutory limitation has restricted competition, resulting in the purchase of vehicles that are not typical of those being purchased by the general public.

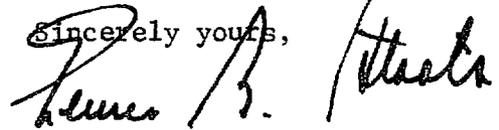
With regard to complaints received by the House Armed Services Committee, and reiterated by motor pool personnel, we believe most of these complaints are directly related to the fact that recent procurements of military vehicles have generally been for vehicles equipped with 6-cylinder engines and manual transmissions, which are harder to drive and lack power when fully loaded.

The recent passage of Public Law 91-423--which permits the Administrator of the General Services Administration to purchase additional systems or equipment when appropriate--may help to reduce the complaints against military vehicles purchased under future procurements.

We plan to make no further distribution of this letter unless copies are specifically requested and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the letter.

If we can be of further service in this matter, please advise us.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert A. Aitken".

Comptroller General
of the United States

The Honorable
Chairman, Committee on Armed Services
House of Representatives